

Introduced by Senator Wyland

February 4, 2010

An act to amend Sections 6051.7, 6201.7, 10752.2, 17041, 17054, 17062, and 18663 of, and to amend and repeal Sections 10752 and 10752.1 of, the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 952, as introduced, Wyland. Sales and use taxes: vehicle license fee: income taxes: income tax administration: withholding rates.

The Sales and Use Tax Law imposes a state sales and use tax on retailers and on the storage, use, or other consumption of tangible personal property in this state at the rate of $6\frac{1}{4}\%$, plus, from April 11, 2009 to July 1, 2011, an additional 1%, of the gross receipts from the retail sale of tangible personal property in this state and of the sales price of tangible personal property purchased from any retailer for storage, use, or other consumption in this state.

This bill would repeal the additional 1% state sales and use tax rate on the first day of the first calendar quarter commencing more than 90 days after the effective date of this bill.

The Vehicle License Fee Law establishes, in lieu of any ad valorem property tax upon vehicles, an annual license fee for any vehicle subject to registration in this state in an amount of 0.65% of the market value of that vehicle, as provided. Existing law, until July 1, 2011, increases that rate by 0.35%, for specified vehicles and requires that the revenues derived from the increase be deposited into the General Fund. That law also, until July 1, 2011, adds a sum equal to 0.15% of the market value of specified vehicles to the vehicle license fee, to be deposited in the

General Fund and transferred to the Local Safety and Protection Account for allocation by the Controller for specified purposes.

This bill would repeal the additional 0.35% and 0.15% rates on the effective date of this bill.

The Personal Income Tax Law imposes taxes based upon taxable income. That law also allows credits for personal exemptions, and imposes an alternative minimum tax, as specified. That law, for taxable years beginning on or after January 1, 2009, and until January 1, 2011, decreases the amount allowable as a credit for personal exemption for dependents, and for taxable years beginning on and after January 1, 2009, and before January 1, 2011, increases the tax rate applicable to taxable income, and increases the alternative minimum tax rate, as provided.

This bill would repeal the provision decreasing the amount allowable as a credit for personal exemption for dependents on January 1, 2010. This bill would repeal the provisions increasing the tax rate applicable to taxable income, and increasing the alternative minimum tax rate, for taxable years beginning on or after January 1, 2010.

Existing law requires the Franchise Tax Board to prepare wage withholding tables to be used by employers for purposes of withholding taxes on wages paid that produce a sum that is equal to 10% more than the sum specified prior to November 1, 2009. Existing law allows, in lieu of the withholding tables, withholding at a rate of 6.6% with respect to supplemental wages and at a rate of 10.23% with respect to stock options and bonus payments.

This bill would eliminate the requirement that wage withholding tables produce a sum that is equal to 10% more than the sum specified prior to November 1, 2009, for purposes of the withholding tables. This bill would also decrease the withholding rates to 6% for supplemental wages and to 9.3% for stock options and bonus payments.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 6051.7 of the Revenue and Taxation
- 2 Code is amended to read:

1 6051.7. ~~(a)~~—In addition to the taxes imposed by Section 6051
2 and any other provision of this part, for the privilege of selling
3 tangible personal property at retail, a tax is hereby imposed upon
4 all retailers at the rate of 1 percent of the gross receipts of any
5 retailer from the sale of all tangible personal property sold at retail
6 in this state, on and after April 1, 2009, *and before the first day of*
7 *the first calendar quarter commencing more than 90 days after*
8 *the effective date of the act amending this section.*

9 ~~(b) This section shall cease to be operative on July 1, 2011,~~
10 ~~unless the Director of Finance makes the notification pursuant to~~
11 ~~Section 99040 of the Government Code, in which case this section~~
12 ~~shall cease to be operative on July 1, 2012.~~

13 SEC. 2. Section 6201.7 of the Revenue and Taxation Code is
14 amended to read:

15 6201.7. ~~(a)~~—In addition to the taxes imposed by Section 6201
16 and any other provision of this part, an excise tax is hereby imposed
17 on the storage, use, or other consumption in this state of tangible
18 personal property purchased from any retailer for storage, use, or
19 other consumption in this state, at the rate of 1 percent of the sales
20 price of the property, on and after April 1, 2009, *and before the*
21 *first day of the first calendar quarter commencing more than 90*
22 *days after the effective date of the act amending this section.*

23 ~~(b) This section shall cease to be operative on July 1, 2011,~~
24 ~~unless the Director of Finance makes the notification pursuant to~~
25 ~~Section 99040 of the Government Code, in which case this section~~
26 ~~shall cease to be operative on July 1, 2012.~~

27 SEC. 3. Section 10752 of the Revenue and Taxation Code, as
28 amended by Section 4 of Chapter 18 of the Third Extraordinary
29 Session of the Statutes of 2009, is amended to read:

30 10752. (a) The annual amount of the license fee for any
31 vehicle, other than a trailer or semitrailer, as described in
32 subdivision (a) of Section 5014.1 of the Vehicle Code or a
33 commercial motor vehicle described in Section 9400.1 of the
34 Vehicle Code, or a trailer coach that is required to be moved under
35 permit as authorized in Section 35790 of the Vehicle Code, shall
36 be a sum equal to the following percentage of the market value of
37 the vehicle as determined by the department:

38 (1) Sixty-five hundredths of 1 percent on and after January 1,
39 2005, and before May 19, 2009.

1 (2) One percent on and after May 19, 2009, *and before the*
2 *effective date of the act amending this section.*

3 (3) *Sixty-five hundredths of 1 percent on and after the effective*
4 *date of the act amending this section.*

5 (b) The annual amount of the license fee for any commercial
6 vehicle as described in Section 9400.1 of the Vehicle Code, shall
7 be a sum equal to 0.65 percent of the market value of the vehicle
8 as determined by the department.

9 (c) Notwithstanding Chapter 5 (commencing with Section
10 11001) or any other law to the contrary, all revenues (including
11 penalties), less refunds, attributable to that portion of the rate
12 imposed pursuant to this section in excess of 0.65 percent shall be
13 deposited into the General Fund.

14 ~~(d) This section shall cease to be operative on July 1, 2011,~~
15 ~~unless the Director of Finance makes the notification pursuant to~~
16 ~~Section 99040 of the Government Code, in which case the section~~
17 ~~shall cease to be operative on July 1, 2013.~~

18 SEC. 4. Section 10752 of the Revenue and Taxation Code, as
19 added by Section 5 of Chapter 18 of the Third Extraordinary
20 Session of the Statutes of 2009, is repealed.

21 ~~10752. (a) The annual amount of the license fee for any~~
22 ~~vehicle, other than a trailer or semitrailer, as described in~~
23 ~~subdivision (a) of Section 5014.1 of the Vehicle Code, or a trailer~~
24 ~~coach that is required to be moved under permit as authorized in~~
25 ~~Section 35790 of the Vehicle Code, shall be a sum equal to 0.65~~
26 ~~percent of the market value of the vehicle as determined by the~~
27 ~~department.~~

28 ~~(b) This section shall become operative on July 1, 2011, unless~~
29 ~~the Director of Finance makes the notification pursuant to Section~~
30 ~~99040 of the Government Code, in which case this section shall~~
31 ~~become operative on July 1, 2013.~~

32 SEC. 5. Section 10752.1 of the Revenue and Taxation Code,
33 as amended by Section 6 of Chapter 18 of the Third Extraordinary
34 Session of the Statutes of 2009, is amended to read:

35 10752.1. (a) The annual amount of the license fee for a trailer
36 coach which is required to be moved under permit as authorized
37 in Section 35790 of the Vehicle Code shall be a sum equal to the
38 following percentage of the market value of the vehicle as
39 determined by the department:

1 (1) Sixty-five hundredths of 1 percent on and after January 1,
2 2005, and before May 19, 2009.

3 (2) One percent on and after May 19, 2009, *and before the*
4 *effective date of the act amending this section.*

5 (3) *Sixty-five hundredth of 1 percent on and after the effective*
6 *date of the act amending this section.*

7 (b) Notwithstanding Chapter 5 (commencing with Section
8 11001) or any other law to the contrary, all revenues (including
9 penalties), less refunds, attributable to that portion of the rate
10 imposed pursuant to this section in excess of 0.65 percent shall be
11 deposited in the General Fund.

12 ~~(e) This section shall cease to be operative on July 1, 2011,~~
13 ~~unless the Director of Finance makes the notification pursuant to~~
14 ~~Section 99040 of the Government Code, in which case this section~~
15 ~~shall cease to be operative on July 1, 2013.~~

16 SEC. 6. Section 10752.1 of the Revenue and Taxation Code,
17 as added by Section 7 of Chapter 18 of the Third Extraordinary
18 Session of the Statutes of 2009, is repealed.

19 ~~10752.1. (a) The annual amount of the license fee for a trailer~~
20 ~~coach which is required to be moved under permit as authorized~~
21 ~~in Section 35790 of the Vehicle Code shall be a sum equal to 0.65~~
22 ~~percent of the market value of the vehicle as determined by the~~
23 ~~department.~~

24 ~~(b) This section shall become operative on July 1, 2011, unless~~
25 ~~the Director of Finance makes the notification pursuant to Section~~
26 ~~99040 of the Government Code, in which case this section shall~~
27 ~~become operative on July 1, 2013.~~

28 SEC. 7. Section 10752.2 of the Revenue and Taxation Code
29 is amended to read:

30 10752.2. (a) On and after May 19, 2009, in addition to the
31 annual license fee for a vehicle, other than a commercial motor
32 vehicle described in Section 9400.1 of the Vehicle Code, imposed
33 pursuant to Sections 10752 and 10752.1, a sum equal to 0.15
34 percent of the market value of the vehicle as determined by the
35 department, shall be added to that annual fee.

36 (b) Notwithstanding Chapter 5 (commencing with Section
37 11001) or any other law to the contrary, all revenues (including
38 penalties), less refunds, derived from fees collected pursuant to
39 subdivision (a) shall be deposited in the General Fund and
40 transferred to the Local Safety and Protection Account, which is

1 hereby established in the Transportation Tax Fund.
2 Notwithstanding Section 13340 of the Government Code, all
3 moneys in the account are hereby continuously appropriated,
4 without regard to fiscal year, to the Controller for allocation
5 pursuant to Sections 29553, 30061, and 30070 of the Government
6 Code, Section 13821 of the Penal Code, and Sections 18220 and
7 18220.1 of the Welfare and Institutions Code.

8 (c) (1) In 2010 and each calendar year thereafter, the Director
9 of Finance shall, no later than January 10 and upon the enactment
10 of the Budget Act during the calendar year, make a written
11 determination of whether any of the moneys derived from fees
12 collected pursuant to subdivision (a) are being allocated by the
13 state for any purpose not authorized by subdivision (b), and shall
14 immediately submit his or her written determination to all of the
15 following:

- 16 (A) The Director of the Department of Motor Vehicles.
- 17 (B) The Joint Legislative Budget Committee.
- 18 (C) The Senate and Assembly Appropriations Committees.
- 19 (D) The Senate and Assembly Revenue and Taxation
20 Committees.

21 (2) If the Director of Finance determines that any moneys
22 derived from fees collected pursuant to subdivision (a) are being
23 allocated by the state for a purpose not authorized by subdivision
24 (b), the Director of the Department of Motor Vehicles shall, upon
25 receipt of the written determination, immediately cease collection
26 of the fees imposed by subdivision (a), and shall resume collection
27 of those fees only upon his or her receipt of written determination
28 provided under paragraph (1) that specifies that none of the moneys
29 derived from fees collected pursuant to subdivision (a) are being
30 allocated by the state for a purpose not authorized by subdivision
31 (a).

32 (d) This section shall cease to be operative on ~~July 1, 2011,~~
33 ~~unless the Director of Finance makes the notification pursuant to~~
34 ~~Section 99040 of the Government Code, in which case this section~~
35 ~~shall cease to be operative on July 1, 2013~~ *the effective date of the*
36 *act amending this section.*

37 SEC. 8. Section 17041 of the Revenue and Taxation Code is
38 amended to read:

39 17041. (a) (1) There shall be imposed for each taxable year
40 upon the entire taxable income of every resident of this state who

is not a part-year resident, except the head of a household as defined in Section 17042, taxes in the following amounts and at the following rates upon the amount of taxable income computed for the taxable year as if the resident were a resident of this state for the entire taxable year and for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions:

If the taxable income is:	The tax is:
Not over \$3,650	1% of the taxable income
Over \$3,650 but not	
over \$8,650	\$36.50 plus 2% of the excess over \$3,650
Over \$8,650 but not	
over \$13,650	\$136.50 plus 4% of the excess over \$8,650
Over \$13,650 but not	
over \$18,950	\$336.50 plus 6% of the excess over \$13,650
Over \$18,950 but not	
over \$23,950	\$654.50 plus 8% of the excess over \$18,950
Over \$23,950	\$1,054.50 plus 9.3% of the excess over \$23,950

(2) ~~(A)~~ For taxable years beginning on or after January 1, 2009, and before January 1, 2011, ~~or January 1, 2013, as applicable~~ 2010, the percentages specified in the table in paragraph (1) shall be increased by adding 0.25 percent to each percentage. ~~This subparagraph shall become operative only if the Director of Finance does not provide notification to the Joint Legislative Budget Committee on or before April 1, 2009, pursuant to Section 99030 of the Government Code. This subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2013.~~

~~(B) For taxable years beginning on or after January 1, 2009, and before January 1, 2011, or January 1, 2013, as applicable, the~~

1 percentages specified in the table in paragraph (1) shall be
 2 increased by adding 0.125 percent to each percentage. This
 3 subparagraph shall become operative only if the Director of Finance
 4 provides notification to the Joint Legislative Budget Committee
 5 on or before April 1, 2009, pursuant to Section 99030 of the
 6 Government Code. This subparagraph shall cease to be operative
 7 for taxable years beginning on or after January 1, 2011, unless the
 8 Director of Finance makes the notification pursuant to Section
 9 99040 of the Government Code, in which case this subparagraph
 10 shall cease to be operative for taxable years beginning on or after
 11 January 1, 2013.

12 (b) (1) There shall be imposed for each taxable year upon the
 13 taxable income of every nonresident or part-year resident, except
 14 the head of a household as defined in Section 17042, a tax as
 15 calculated in paragraph (2).

16 (2) The tax imposed under paragraph (1) shall be calculated by
 17 multiplying the "taxable income of a nonresident or part-year
 18 resident," as defined in subdivision (i), by a rate (expressed as a
 19 percentage) equal to the tax computed under subdivision (a) on
 20 the entire taxable income of the nonresident or part-year resident
 21 as if the nonresident or part-year resident were a resident of this
 22 state for the taxable year and as if the nonresident or part-year
 23 resident were a resident of this state for all prior taxable years for
 24 any carryover items, deferred income, suspended losses, or
 25 suspended deductions, divided by the amount of that income.

26 (c) (1) There shall be imposed for each taxable year upon the
 27 entire taxable income of every resident of this state who is not a
 28 part-year resident for that taxable year, when the resident is the
 29 head of a household, as defined in Section 17042, taxes in the
 30 following amounts and at the following rates upon the amount of
 31 taxable income computed for the taxable year as if the resident
 32 were a resident of the state for the entire taxable year and for all
 33 prior taxable years for carryover items, deferred income, suspended
 34 losses, or suspended deductions:

35		
36	If the taxable income is:	The tax is:
37	Not over \$7,300	1% of the taxable income
38	Over \$7,300 but not	
39		\$73 plus 2% of the excess
40	over \$17,300	over \$7,300

Over \$17,300 but not	
	\$273 plus 4% of the excess
over \$22,300	over \$17,300
Over \$22,300 but not	
	\$473 plus 6% of the excess
over \$27,600	over \$22,300
Over \$27,600 but not	
	\$791 plus 8% of the excess
over \$32,600	over \$27,600
Over \$32,600	\$1,191 plus 9.3% of the excess
	over \$32,600

(2) ~~(A)~~ For taxable years beginning on or after January 1, 2009, and before January 1, 2011, ~~or January 1, 2013, as applicable~~ 2010, the percentages specified in the table in paragraph (1) shall be increased by adding 0.25 percent to each percentage. ~~This subparagraph shall become operative only if the Director of Finance does not provide notification to the Joint Legislative Budget Committee on or before April 1, 2009, pursuant to Section 99030 of the Government Code. This subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2013.~~

~~(B) For taxable years beginning on or after January 1, 2009, and before January 1, 2011, or January 1, 2013, as applicable, the percentages specified in the table in paragraph (1) shall be increased by adding 0.125 percent to each percentage. This subparagraph shall become operative only if the Director of Finance provides notification to the Joint Legislative Budget Committee on or before April 1, 2009, pursuant to Section 99030 of the Government Code. This subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this subparagraph shall cease to be operative for taxable years beginning on or after January 1, 2013.~~

(d) (1) There shall be imposed for each taxable year upon the taxable income of every nonresident or part-year resident when

1 the nonresident or part-year resident is the head of a household,
2 as defined in Section 17042, a tax as calculated in paragraph (2).

3 (2) The tax imposed under paragraph (1) shall be calculated by
4 multiplying the “taxable income of a nonresident or part-year
5 resident,” as defined in subdivision (i), by a rate (expressed as a
6 percentage) equal to the tax computed under subdivision (c) on
7 the entire taxable income of the nonresident or part-year resident
8 as if the nonresident or part-year resident were a resident of this
9 state for the taxable year and as if the nonresident or part-year
10 resident were a resident of this state for all prior taxable years for
11 any carryover items, deferred income, suspended losses, or
12 suspended deductions, divided by the amount of that income.

13 (e) There shall be imposed for each taxable year upon the taxable
14 income of every estate, trust, or common trust fund taxes equal to
15 the amount computed under subdivision (a) for an individual
16 having the same amount of taxable income.

17 (f) The tax imposed by this part is not a surtax.

18 (g) (1) Section 1(g) of the Internal Revenue Code, relating to
19 certain unearned income of minor children taxed as if the parent’s
20 income, shall apply, except as otherwise provided.

21 (2) Section 1(g)(7)(B)(ii)(II) of the Internal Revenue Code,
22 relating to income included on parent’s return, is modified, for
23 purposes of this part, by substituting “1 percent” for “15 percent.”

24 (h) For each taxable year beginning on or after January 1, 1988,
25 the Franchise Tax Board shall recompute the income tax brackets
26 prescribed in subdivisions (a) and (c). That computation shall be
27 made as follows:

28 (1) The California Department of Industrial Relations shall
29 transmit annually to the Franchise Tax Board the percentage change
30 in the California Consumer Price Index for all items from June of
31 the prior calendar year to June of the current calendar year, no
32 later than August 1 of the current calendar year.

33 (2) The Franchise Tax Board shall do both of the following:

34 (A) Compute an inflation adjustment factor by adding 100
35 percent to the percentage change figure that is furnished pursuant
36 to paragraph (1) and dividing the result by 100.

37 (B) Multiply the preceding taxable year income tax brackets by
38 the inflation adjustment factor determined in subparagraph (A)
39 and round off the resulting products to the nearest one dollar (\$1).

1 (i) (1) For purposes of this part, the term “taxable income of a
2 nonresident or part-year resident” includes each of the following:

3 (A) For any part of the taxable year during which the taxpayer
4 was a resident of this state (as defined by Section 17014), all items
5 of gross income and all deductions, regardless of source.

6 (B) For any part of the taxable year during which the taxpayer
7 was not a resident of this state, gross income and deductions
8 derived from sources within this state, determined in accordance
9 with Article 9 of Chapter 3 (commencing with Section 17301) and
10 Chapter 11 (commencing with Section 17951).

11 (2) For purposes of computing “taxable income of a nonresident
12 or part-year resident” under paragraph (1), the amount of any net
13 operating loss sustained in any taxable year during any part of
14 which the taxpayer was not a resident of this state shall be limited
15 to the sum of the following:

16 (A) The amount of the loss attributable to the part of the taxable
17 year in which the taxpayer was a resident.

18 (B) The amount of the loss which, during the part of the taxable
19 year the taxpayer is not a resident, is attributable to California
20 source income and deductions allowable in arriving at taxable
21 income of a nonresident or part-year resident.

22 (3) For purposes of computing “taxable income of a nonresident
23 or part-year resident” under paragraph (1), any carryover items,
24 deferred income, suspended losses, or suspended deductions shall
25 only be includable or allowable to the extent that the carryover
26 item, deferred income, suspended loss, or suspended deduction
27 was derived from sources within this state, calculated as if the
28 nonresident or part-year resident, for the portion of the year he or
29 she was a nonresident, had been a nonresident for all prior years.

30 SEC. 9. Section 17054 of the Revenue and Taxation Code is
31 amended to read:

32 17054. In the case of individuals, the following credits for
33 personal exemption may be deducted from the tax imposed under
34 Section 17041 or 17048, less any increases imposed under
35 paragraph (1) of subdivision (d) or paragraph (1) of subdivision
36 (e), or both, of Section 17560.

37 (a) In the case of a single individual, a head of household, or a
38 married individual making a separate return, a credit of fifty-two
39 dollars (\$52).

(b) In the case of a surviving spouse (as defined in Section 17046), or a husband and wife making a joint return, a credit of one hundred four dollars (\$104). If one spouse was a resident for the entire taxable year and the other spouse was a nonresident for all or any portion of the taxable year, the personal exemption shall be divided equally.

(c) In addition to any other credit provided in this section, in the case of an individual who is 65 years of age or over by the end of the taxable year, a credit of fifty-two dollars (\$52).

(d) (1) A credit of two hundred twenty-seven dollars (\$227) for each dependent (as defined in Section 17056) for whom an exemption is allowable under Section 151(c) of the Internal Revenue Code, relating to additional exemption for dependents. The credit allowed under this subdivision for taxable years beginning on or after January 1, 1999, shall not be adjusted pursuant to subdivision (i) for any taxable year beginning before January 1, 2000.

(2) The credit allowed under paragraph (1) may not be denied on the basis that the identification number of the dependent, as defined in Section 17056, for whom an exemption is allowable under Section 151(c) of the Internal Revenue Code, relating to additional exemption for dependents, is not included on the return claiming the credit.

(3) (A) For taxable years beginning on or after January 1, 2009, the credit allowed under paragraph (1) for each dependent shall be equal to the credit allowed under subdivision (a). This subparagraph shall cease to be operative on January 1, 2011, unless the Director of Finance makes the notification pursuant to Section 99040 of the Government Code, in which case this subparagraph shall cease to be operative on January 1, 2013 2010.

(B) Commencing on the date that subparagraph (A) ceases to be operative, the credit allowed under paragraph (1) for each dependent shall be equal to the amount that would be allowed if subparagraph (A) had never been operative.

(e) A credit for personal exemption of fifty-two dollars (\$52) for the taxpayer if he or she is blind at the end of his or her taxable year.

(f) A credit for personal exemption of fifty-two dollars (\$52) for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse is blind and, for the calendar year in

1 which the taxable year of the taxpayer begins, has no gross income
2 and is not the dependent of another taxpayer.

3 (g) For the purposes of this section, an individual is blind only
4 if either (1) his or her central visual acuity does not exceed 20/200
5 in the better eye with correcting lenses, or (2) his or her visual
6 acuity is greater than 20/200 but is accompanied by a limitation
7 in the fields of vision such that the widest diameter of the visual
8 field subtends an angle no greater than 20 degrees.

9 (h) In the case of an individual with respect to whom a credit
10 under this section is allowable to another taxpayer for a taxable
11 year beginning in the calendar year in which the individual's
12 taxable year begins, the credit amount applicable to that individual
13 for that individual's taxable year is zero.

14 (i) For each taxable year beginning on or after January 1, 1989,
15 the Franchise Tax Board shall compute the credits prescribed in
16 this section. That computation shall be made as follows:

17 (1) The California Department of Industrial Relations shall
18 transmit annually to the Franchise Tax Board the percentage change
19 in the California Consumer Price Index for all items from June of
20 the prior calendar year to June of the current calendar year, no
21 later than August 1 of the current calendar year.

22 (2) The Franchise Tax Board shall add 100 percent to the
23 percentage change figure which is furnished to them pursuant to
24 paragraph (1), and divide the result by 100.

25 (3) The Franchise Tax Board shall multiply the immediately
26 preceding taxable year credits by the inflation adjustment factor
27 determined in paragraph (2), and round off the resulting products
28 to the nearest one dollar (\$1).

29 (4) In computing the credits pursuant to this subdivision, the
30 credit provided in subdivision (b) shall be twice the credit provided
31 in subdivision (a).

32 SEC. 10. Section 17062 of the Revenue and Taxation Code is
33 amended to read:

34 17062. (a) In addition to the other taxes imposed by this part,
35 there is hereby imposed for each taxable year, a tax equal to the
36 excess, if any, of—

37 (1) The tentative minimum tax for the taxable year, over

38 (2) The regular tax for the taxable year.

39 (b) For purposes of this chapter, each of the following shall
40 apply:

1 (1) The tentative minimum tax shall be computed in accordance
2 with Sections 55 to 59, inclusive, of the Internal Revenue Code,
3 except as otherwise provided in this part.

4 (2) The regular tax shall be the amount of tax imposed by
5 Section 17041 or 17048, before reduction for any credits against
6 the tax, less any amount imposed under paragraph (1) of
7 subdivision (d) and paragraph (1) of subdivision (e) of Section
8 17560.

9 (3) (A) The provisions of Section 55(b)(1) of the Internal
10 Revenue Code shall be modified to provide that the tentative
11 minimum tax for the taxable year shall be equal to the following
12 percent of so much of the alternative minimum taxable income for
13 the taxable year as exceeds the exemption amount, before reduction
14 for any credits against the tax:

15 (i) For any taxable year beginning on or after January 1, 1991,
16 and before January 1, 1996, 8.5 percent.

17 (ii) For any taxable year beginning on or after January 1, 1996,
18 and before January 1, 2009, 7 percent.

19 (iii) For taxable years beginning on and after January 1, 2009,
20 and before January 1, 2011, or January 1, 2013, as applicable 2010,
21 7.25 percent. ~~This clause shall become operative only if the~~
22 ~~Director of Finance does not provide notification to the Joint~~
23 ~~Legislative Budget Committee on or before April 1, 2009, pursuant~~
24 ~~to Section 99030 of the Government Code. This clause shall cease~~
25 ~~to be operative for taxable years beginning on or after January 1,~~
26 ~~2011, unless the Director of Finance makes the notification~~
27 ~~pursuant to Section 99040 of the Government Code, in which case~~
28 ~~this clause shall cease to be operative for taxable years beginning~~
29 ~~on or after January 1, 2013.~~

30 (iv) ~~For taxable years beginning on and after January 1, 2009,~~
31 ~~and before January 1, 2011, or January 1, 2013, as applicable,~~
32 ~~7.125 percent. This clause shall become operative only if the~~
33 ~~Director of Finance provides notification to the Joint Legislative~~
34 ~~Budget Committee on or before April 1, 2009, pursuant to Section~~
35 ~~99030 of the Government Code. This clause shall cease to be~~
36 ~~operative for taxable years beginning on or after January 1, 2011,~~
37 ~~unless the Director of Finance makes the notification pursuant to~~
38 ~~Section 99040 of the Government Code, in which case this clause~~
39 ~~shall cease to be operative for taxable years beginning on or after~~
40 ~~January 1, 2013.~~

1 ~~(v)~~

2 ~~(iv) For any taxable year beginning on or after January 1, 2011,~~
3 ~~or January 1, 2013, as applicable, for which clause (iii) or (iv)~~
4 ~~ceases to be operative, 2010, 7 percent.~~

5 (B) In the case of a nonresident or part-year resident, the
6 tentative minimum tax shall be computed by multiplying the
7 alternative minimum taxable income of the nonresident or part-year
8 resident, as defined in subparagraph (C), by a rate (expressed as
9 a percentage) equal to the tax computed under subdivision (b) on
10 the alternative minimum taxable income of the nonresident or
11 part-year resident as if the nonresident or part-year resident were
12 a resident of this state for the taxable year and as if the nonresident
13 or part-year resident were a resident of this state for all prior taxable
14 years for any carryover items, deferred income, suspended losses,
15 or suspended deductions, divided by the amount of that income.

16 (C) For purposes of this section, the term “alternative minimum
17 taxable income of a nonresident or part-year resident” includes
18 each of the following:

19 (i) For any period during which the taxpayer was a resident of
20 this state (as defined by Section 17014), all items of alternative
21 minimum taxable income (as modified for purposes of this chapter),
22 regardless of source.

23 (ii) For any period during which the taxpayer was not a resident
24 of this state, alternative minimum taxable income (as modified for
25 purposes of this chapter) which were derived from sources within
26 this state, determined in accordance with Article 9 of Chapter 3
27 (commencing with Section 17301) and Chapter 11 (commencing
28 with Section 17951).

29 (iii) For purposes of computing “alternative minimum taxable
30 income of a nonresident or part-year resident,” any carryover items,
31 deferred income, suspended losses, or suspended deductions shall
32 only be allowable to the extent that the carryover item, suspended
33 loss, or suspended deduction was derived from sources within this
34 state.

35 (4) The provisions of Section 55(b)(2) of the Internal Revenue
36 Code, relating to alternative minimum taxable income, shall be
37 modified to provide that alternative minimum taxable income shall
38 not include the income, adjustments, and items of tax preference
39 attributable to any trade or business of a qualified taxpayer.

1 (A) For purposes of this paragraph, “qualified taxpayer” means
2 a taxpayer who meets both of the following:

3 (i) Is the owner of, or has an ownership interest in, a trade or
4 business.

5 (ii) Has aggregate gross receipts, less returns and allowances,
6 of less than one million dollars (\$1,000,000) during the taxable
7 year from all trades or businesses of which the taxpayer is the
8 owner or has an ownership interest, in the amount of that taxpayer’s
9 proportionate interest in each trade or business.

10 (B) For purposes of this paragraph, “aggregate gross receipts,
11 less returns and allowances” means the sum of the gross receipts
12 of the trades or businesses that the taxpayer owns and the
13 proportionate interest of the gross receipts of the trades or
14 businesses that the taxpayer owns and of pass-through entities in
15 which the taxpayer holds an interest.

16 (C) For purposes of this paragraph, “gross receipts, less returns
17 and allowances” means the sum of the gross receipts from the
18 production of business income, as defined in subdivision (a) of
19 Section 25120, and the gross receipts from the production of
20 nonbusiness income, as defined in subdivision (d) of Section
21 25120.

22 (D) For purposes of this paragraph, “proportionate interest”
23 means:

24 (i) In the case of a pass-through entity that reports a profit for
25 the taxable year, the taxpayer’s profit interest in the entity at the
26 end of the taxpayer’s taxable year.

27 (ii) In the case of a pass-through entity that reports a loss for
28 the taxable year, the taxpayer’s loss interest in the entity at the end
29 of the taxpayer’s taxable year.

30 (iii) In the case of a pass-through entity that is sold or liquidates
31 during the taxable year, the taxpayer’s capital account interest in
32 the entity at the time of the sale or liquidation.

33 (E) (i) For purposes of this paragraph, “proportionate interest”
34 includes an interest in a pass-through entity.

35 (ii) For purposes of this paragraph, “pass-through entity” means
36 any of the following:

37 (I) A partnership, as defined by Section 17008.

38 (II) An ~~“S corporation,”~~ “S” corporation, as provided in Chapter
39 4.5 (commencing with Section 23800) of Part 11.

1 (III) A regulated investment company, as provided in Section
2 24871.

3 (IV) A real estate investment trust, as provided in Section 24872.

4 (V) A real estate mortgage investment conduit, as provided in
5 Section 24874.

6 (5) For taxable years beginning on or after January 1, 1998,
7 Section 55(d)(1) of the Internal Revenue Code, relating to
8 exemption amount for taxpayers other than corporations is
9 modified, for purposes of this part, to provide the following
10 exemption amounts in lieu of those contained therein:

11 (A) Fifty-seven thousand two hundred sixty dollars (\$57,260)
12 in the case of either of the following:

13 (i) A joint return.

14 (ii) A surviving spouse.

15 (B) Forty-two thousand nine hundred forty-five dollars (\$42,945)
16 in the case of an individual who is both of the following:

17 (i) Not a married individual.

18 (ii) Not a surviving spouse.

19 (C) Twenty-eight thousand six hundred thirty dollars (\$28,630)
20 in the case of either of the following:

21 (i) A married individual who files a separate return.

22 (ii) An estate or trust.

23 (6) For taxable years beginning on or after January 1, 1998,
24 Section 55(d)(3) of the Internal Revenue Code, relating to the
25 phaseout of exemption amount for taxpayers other than
26 corporations is modified, for purposes of this part, to provide the
27 following phaseout of exemption amounts in lieu of those contained
28 therein:

29 (A) Two hundred fourteen thousand seven hundred twenty-five
30 dollars (\$214,725) in the case of a taxpayer described in
31 subparagraph (A) of paragraph (5).

32 (B) One hundred sixty-one thousand forty-four dollars
33 (\$161,044) in the case of a taxpayer described in subparagraph
34 (B) of paragraph (5).

35 (C) One hundred seven thousand three hundred sixty-two dollars
36 (\$107,362) in the case of a taxpayer described in subparagraph
37 (C) of paragraph (5).

38 (7) For each taxable year beginning on or after January 1, 1999,
39 the Franchise Tax Board shall recompute the exemption amounts
40 prescribed in paragraph (5) and the phaseout of exemption amounts

1 prescribed in paragraph (6). Those computations shall be made as
2 follows:

3 (A) The California Department of Industrial Relations shall
4 transmit annually to the Franchise Tax Board the percentage change
5 in the California Consumer Price Index for all items from June of
6 the prior calendar year to June of the current calendar year, no
7 later than August 1 of the current calendar year.

8 (B) The Franchise Tax Board shall do both of the following:

9 (i) Compute an inflation adjustment factor by adding 100 percent
10 to the percentage change figure that is furnished pursuant to
11 subparagraph (A) and dividing the result by 100.

12 (ii) Multiply the preceding taxable year exemption amounts and
13 the phaseout of exemption amounts by the inflation adjustment
14 factor determined in clause (i) and round off the resulting products
15 to the nearest one dollar (\$1).

16 (c) (1) (A) Section 56(a)(6) of the Internal Revenue Code as
17 in effect on January 1, 1997, relating to installment sales of certain
18 property, shall not apply to payments received in taxable years
19 beginning on or after January 1, 1997, with respect to dispositions
20 occurring in taxable years beginning after December 31, 1987.

21 (B) This paragraph shall not apply to taxable years beginning
22 on or after January 1, 1998.

23 (2) Section 56(b)(1)(E) of the Internal Revenue Code, relating
24 to standard deduction and deduction for personal exemptions not
25 allowed, is modified, for purposes of this part, to deny the standard
26 deduction allowed by Section 17073.5.

27 (3) Section 56(b)(3) of the Internal Revenue Code, relating to
28 treatment of incentive stock options, shall be modified to
29 additionally provide the following:

30 (A) Section 421 of the Internal Revenue Code shall not apply
31 to the transfer of stock acquired pursuant to the exercise of a
32 California qualified stock option under Section 17502.

33 (B) Section 422(c)(2) of the Internal Revenue Code shall apply
34 in any case where the disposition and inclusion of a California
35 qualified stock option for purposes of this chapter are within the
36 same taxable year and that section shall not apply in any other
37 case.

38 (C) The adjusted basis of any stock acquired by the exercise of
39 a California qualified stock option shall be determined on the basis
40 of the treatment prescribed by this paragraph.

1 (d) The provisions of Section 57(a)(5) of the Internal Revenue
2 Code, relating to tax-exempt interest shall not apply.

3 (e) Section 57(a) of the Internal Revenue Code, relating to items
4 of tax preference, is modified to include as an item of tax
5 preference an amount equal to one-half of the amount excluded
6 from gross income for the taxable year under Section 18152.5.

7 (f) The provisions of Section 59(a) of the Internal Revenue
8 Code, relating to the alternative minimum tax foreign tax credit,
9 shall not apply.

10 SEC. 11. Section 18663 of the Revenue and Taxation Code is
11 amended to read:

12 18663. (a) (1) The Franchise Tax Board shall annually (or
13 more often if necessary) prepare and make available to the
14 Employment Development Department, wage withholding tables
15 that shall be used by every employer making payment of any wages
16 to a resident employee for services performed either within or
17 without this state; or to a nonresident employee for services
18 performed in this state, to deduct and withhold from those wages
19 for each payroll period, a tax computed in a manner as to produce,
20 so far as practicable, with due regard to the credits for personal
21 exemptions allowable under Section 17054, a sum that is
22 substantially equivalent to the amount of tax reasonably estimated
23 to be due under Part 10 (commencing with Section 17001) resulting
24 from the inclusion in the gross income of the employee the wages
25 which were subject to withholding.

26 (2) ~~For Notwithstanding paragraph (1), for wages paid on or~~
27 ~~after November 1, 2009, and before the effective date of the act~~
28 ~~amending this section,~~ wage withholding tables prepared by the
29 Franchise Tax Board pursuant to this subdivision shall produce,
30 so far as practicable, with due regard to the credits for personal
31 exemptions allowable under Section 17054, a sum that will
32 significantly prevent underwithholding by using an amount equal
33 to 10 percent more than the sum described in paragraph (1).

34 (b) (1) (A) For supplemental wages paid on or after January
35 1, 1992, the rate of withholding that may be applied to
36 supplemental wages in lieu of the wage withholding tables
37 specified in subdivision (a) shall be 6 percent.

38 (B) ~~For Notwithstanding subparagraph (A), for supplemental~~
39 ~~wages paid on or after November 1, 2009, and before the effective~~

1 *date of the act amending this section*, the rate of withholding shall
2 be 6.6 percent.

3 (2) For purposes of this subdivision, “supplemental wages”
4 includes, but is not limited to, bonus payments, overtime payments,
5 commissions, sales awards, back pay including retroactive wage
6 increases, and reimbursements for nondeductible moving expenses
7 that are paid for the same or a different period, or without regard
8 to a particular period.

9 (c) (1) For stock options and bonus payments that constitute
10 wages paid on or after January 1, 2002, the rate of withholding
11 that may be applied to those stock options and bonus payments in
12 lieu of the wage withholding tables specified in subdivision (a)
13 shall, notwithstanding subdivision (b), be 9.3 percent.

14 (2) ~~For~~ *Notwithstanding paragraph (2), for* stock options and
15 bonus payments that constitute wages paid on or after November
16 1, 2009, *and before the effective date of the act amending this*
17 *section*, the rate of withholding shall be 10.23 percent.

18 SEC. 12. This act is an urgency statute necessary for the
19 immediate preservation of the public peace, health, or safety within
20 the meaning of Article IV of the Constitution and shall go into
21 immediate effect. The facts constituting the necessity are:

22 In order to provide help for those Californians that are struggling
23 to pay their bills, it is necessary that this act take effect
24 immediately.